

Message Text

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65-62

ACTION ARA-10

INFO OCT-01 AF-06 EA-06 EUR-12 NEA-09 ISO-00 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 IO-10 CEA-01 STR-04 DODE-00 PM-03 H-02 L-02

NSC-05 PA-01 PRS-01 SS-15 SAM-01 /131 W

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P R 131849Z MAY 75

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8849

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

LIMITED OFFICIAL USE BRIDGETOWN 0772

E.O. 11652: N/A

TAGS: PFOR PINT GJ UK

SUBJ: GRENADA'S DETERIORATING FINANCIAL SITUATION SPARKS CIVIL
SERVICE UNREST

REF: BTN 0760

1. AS GRENADA'S CHRONICALLY POOR FINANCIAL SITUATION CONTINUES
TO DETERIORATE, GRENADA'S NORMALLY PASSIVE CIVIL SERVANTS ARE
BECOMING INCREASINGLY RESTIVE. FOLLOWING ADMISSION BY GRENADA PM
ERIC M. GAIRY THAT COUNTRY WAS "ON VERGE OF FINANCIAL COLLAPSE"
BEING UNABLE TO PAY CIVIL SERVANTS, THREE CIVIL SERVICE UNIONS
ISSUED JOINT ULTIMATUM TO THE GOG. GRENADA CIVIL SERVICE ASSO-
CIATION, GRENADA ALLIED AND TECHNICAL WORKERS' UNION, AND GRENADA
UNION OF TEACHERS THREATENED "TO TAKE WHATEVER ACTION NECESSARY"
IF THEY ARE NOT PAID BY MAY 13.

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2. AT RECENTLY CONCLUDED COMMONWEALTH HEADS OF GOVERNMENT CONFERENCE, GAIRY WAS ABLE TO SECURE FUNDS TO MEET MAY 13 DEADLINE TO PAY CIVIL SERVANTS AS REPORTED IN REFTTEL. NIGERIAN HEAD OF STATE MAJ. GEN. YAKUBU GOWON GAVE GAIRY EC \$2 MILLION FOR GOG PAYROLL AND IS CONSIDERING LENDING FURTHER EC \$2.5 MILLION FOR DEVELOPMENT PURPOSES, TO BE CHANNELLED THROUGH CARIBBEAN DEVELOPMENT BANK TO INSURE EXPENDITURE FOR PURPOSES AGREED.

3. IN DESPERATE SEARCH FOR RECURRENT FUNDS, GAIRY STRONGLY ATTACKED HMG AND THREATENED OVERTURES TO OTHERS, INCLUDING COMMUNISTS. AFTER LEAVING COMMONWEALTH CONFERENCE, GAIRY TRAVELLED TO UN ECONOMIC CONFERENCE (ECLA) IN TRINIDAD WHERE HE REPEATED CHARGES EARLIER MADE IN KINGSTON THAT HMG IS "UNSYMPATHETIC AND UNCOOPERATIVE" TO GRENADA IN ITS EMERGENCY FINANCIAL SITUATION. HE THREATENED TO TAKE HMG TO WORLD COURT (ICJ) TO OBTAIN EC \$480,000 INDEPENDENCE GIFT ALLEGEDLY PROMISED. GAIRY ALSO UNILATERALLY PLANS TO DISCUSS QUESTION OF HMG AID AT UN AND HAS ASSERTED HE WILL SEEK AID "ANYWHERE," PRESUMABLY EVEN IN COMMUNIST WORLD. SO FAR, GRENADA HAS ONLY ESTABLISHED RELATIONS WITH THE PEOPLE'S REPUBLIC OF CHINA, ALTHOUGH GAIRY HAS SAID THE HE HAS HAD CONTACTS WITH NORTH KOREA, NORTH VIETNAM, AND CAMBODIA.

4. COMMENT: GAIRY'S ADMISSION THAT GRENADA IS UNABLE TO PAY ITS CIVIL SERVANTS TOUCHED OFF UNPRECEDENTED REACTION FROM NORMALLY PASSIVE CIVIL SERVANTS. ALTHOUGH SECURE THROUGH MAY, GAIRY MUST OBTAIN RELIABLE SOURCE OF FUNDS TO MEET GOG PAYROLL OR FACE MOUNTING UNREST IN CIVIL SERVICE, E.G., STRIKES, SLOWDOWNS, OR SICK-OUTS. GRENADA CAN EXPECT EVEN LESS REVENUE THAN USUAL FROM TOURISM DURING OFF-SEASON AND TAX REVENUES ARE NOT EXPECTED TO RISE BECAUSE OF DEPRESSED ECONOMIC CONDITIONS IN GRENADA AND ENDING OF SEASONS FOR MAJOR MONEY EARNING CROPS (NUTMEG, COCOA).

5. UK IS THE ONLY MAJOR AID DONOR WHICH HAS GIVEN SUBSTANTIAL FUNDS FOR RECURRENT EXPENSES. HMG HAS, IN FACT, ANSWERED GAIRY'S CHARGES BY POINTING OUT THAT THE GOG HAD ACKNOWLEDGED IN WRITING MISAPPROPRIATION OF EC \$480,000 INDEPENDENCE GIFT AS A PARTIAL REPAYMENT. GAIRY'S CHARGES ARE THUS BADLY CALCULATED TO ENDEAR HIM TO BRITISH. HIS PROMISE TO SEE AID "ANYWHERE" IS THINLY VEILED THREAT TO TURN TO COMMUNISTS. HOWEVER, IF ANY AID TO GRENADA HAS BEEN PROMISED FROM THIS SOURCE, IT HAS YET TO BE DISCLOSED. PM LIMITED OFFICIAL USE

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GAIRY MAY AGAIN APPROACH USG ON SUBJECT OF BI-LATERAL AID DURING CURRENT VISIT TO U.S.

6. IN AN HOUR-LONG MEETING WITH PM GAIRY IN BARBADOS TODAY, (MAY 12), HE RECOUNTED HIS FINANCIAL PROBLEMS BUT DID NOT THREATEN TO SEEK OR ALLUDE TO ANY HELP FROM COMMUNIST COUNTRIES. EVEN SO, USG WOULD, IN MY OPINION, HAVE NO VALID REASON TO OBJECT IF OUR EFFORTS ARE NOT HELPING GRENADA.

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Message Attributes

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Disposition Authority: ShawDG
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Margaret P. Grafeld
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